



PAPER C

Purpose: For Decision

Committee report

Committee	CABINET
Date	TUESDAY, 10 SEPTEMBER 2013
Title	QUARTERLY PERFORMANCE AND FINANCE REPORT
Report of/to	LEADER OF THE COUNCIL

EXECUTIVE SUMMARY

1. This report sets out the council's performance, risk and financial position in relation to the priorities of the revised Corporate Plan 2011-2013. It provides an overview of activity within the period 1 April 2013 to 30 June 2013 and the opportunity to make recommendations that will ensure the delivery of those priorities.

BACKGROUND

2. The format for quarterly performance and financial reporting aligns to the priorities of the revised Corporate Plan 2011-2013 and is intended to provide an integrated view of performance, risk and finance.
3. The report consists of seven separate corporate priority reports as detailed in Appendix A and a supporting data report that provides supporting statistical information. The data report is detailed as a background paper. A separate data report on children's safeguarding is attached at Appendix H.
4. As part of the budget strategy presented to Cabinet on 12 February 2013, and approved by Full Council on 27 February 2013, a detailed schedule of savings was set out to achieve the required net savings of £7m in 2013/14.

STRATEGIC CONTEXT

5. The on-going management of performance, risk and finance support all of the Sustainable Community Strategy themes and the council priorities as outlined in the Isle of Wight Council's Corporate Plan 2011-2013. Those issues must be managed effectively in order to secure the delivery of the council's aims and objectives.

CONSULTATION

6. The council's performance management framework sets out the processes involved to manage business functions effectively. This framework enables discussion at all levels across the authority on a routine basis and also the escalation of issues to senior

management and members as part of either the monthly service board or project board process.

FINANCIAL / BUDGET IMPLICATIONS

7. Failure to appropriately manage risk, finance and performance in an integrated way is likely to impact on the council's financial position in terms of either increased cost, exposure to undue risk or missed opportunity.
8. Whilst there are no direct financial implications of this report, recommendations made based on the information provided may result in activity that has an impact on capital and/or revenue budgets or resource demand.

LEGAL IMPLICATIONS

9. The council has a statutory requirement under the terms of the Local Government Act 1999 to achieve 'Best Value' in its delivery of its services. The authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The quarterly performance report forms part of such arrangements, thereby ensuring compliance with legal and statutory requirements.

EQUALITY AND DIVERSITY

10. The council has statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and those who do not. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
11. An initial screening indicates that there are no direct equality and diversity implications of this report. However clearly equality and diversity issues will pervade all council activity and both risk and performance management will be instrumental in mitigating the potential for discrimination against the groups with protected characteristics.

PROPERTY IMPLICATIONS

12. Whilst there are no direct property implications resulting from this report, the corporate priority of 'Delivery of budget savings through changed service provision' does reflect the intention to rationalise the significant number of council buildings and to locate more staff within the remaining buildings that we intend to keep. This will generate savings from both running costs and also create capital receipts from the sale of assets which are considered to be surplus to the council's requirements. Decisions relating to the sale, change of use or contractual arrangements of council assets are referenced as appropriate in the relevant corporate priority report.

SUMMARY POSITION OF QUARTER 1 PERFORMANCE

13. The table below indicates the status of each corporate priority as at 31 March 2013. Highways PFI which is now in its delivery phase will no longer be monitored as a priority in its own right but will be reported through the "Delivery of budget savings through changed service provision" priority.

Corporate Plan priority	Q1-2012/13 status	Q2-2012/13 status	Q3-2012/13 status	Q4-2012/13 status	Q1-2013/14 status
Delivery of budget savings through changed service provision	Green	Green	Green	Green	Green
Raising educational standards	Amber	Red	Amber	Red	Red
Keeping children safe	Green	Green	Red	Red	Red
Supporting older and vulnerable residents	Amber	Amber	Amber	Amber	Amber
Housing and homelessness	Green	Green	Green	Green	Green
Regeneration and the economy	Green	Green	Green	Green	Green
Waste strategy	Green	Green	Green	Green	Green

Colour Key	Status
Green	Majority of performance is on or above target, projects are meeting planned delivery dates, risk is managed appropriately and financial position stable against profiled spend
Amber	Some performance is off target but within accepted tolerance levels, project milestones are still attainable, risk levels demonstrate some concern with appropriate planned activity, financial overspends being forecast
Red	Significant underperformance or project slippage, high scoring risks without active mitigation in place and/or significant overspend impacting delivery of corporate priority

14. A detailed analysis of the performance, risk and financial position of each corporate priority is provided in Appendix A. As already mentioned, the delivery of Highways PFI contract is now reported under priority A1 - Delivery of budget savings through changed service provision. The performance of the service will be reported more fully in Quarter 2.
15. Priority report A2 as part of Appendix A provides more detail on the profound scale of under-achievement on the priority of **'Raising Educational Standards'**. Attainment continues to be low and is significantly lower than national averages. Figures for attendance at secondary level are the worst in the country. 8 of the island's schools have been judged inadequate by Ofsted. Ofsted has also inspected the council's school improvement work, finding that there was a lack of corporate and strategic leadership, under-investment in this work, inadequate knowledge of schools, some continuing incoherence in respect of school organisation, and inadequate arrangements for challenging schools, supporting head teachers and the professional development of staff.
16. More information will be provided to the cabinet to explain the published figures from the Department of Education on why the IW was ranked bottom or near bottom from approximately 150 local authorities in England for persistent absence from schools during 2011-12. This will be addressed within the strategic plan for school improvement to be produced for the DfE for the end of September 2013 and will feature in the quarter 2 performance report
17. That plan will address the following:
 - The work to be done with each school individually
 - The programme of development activities that will be available to all schools

- The work to be done with partners, eg the Clinical Commissioning Group, to raise educational attainment
 - The work to be done with the wider island community to provide better support for children's education
 - The work to be done to bring coherence to school organisation and the number of surplus places.
18. Priority report A3 as part of Appendix A provides more detail on the performance against this priority of '**Keeping Children Safe**'. The Council services for children's safeguarding has been subject to a Statutory Direction issued by the Secretary of State for Education that has already seen the establishment of an independently chaired, multi-agency Safeguarding Improvement Board that is overseeing the formulation and delivery of a Safeguarding Improvement Plan. In addition, the council has entered into a strategic partnership with Hampshire County Council whereby its Director of Children's Services and his senior team will manage the delivery of all aspects of children's services on the Island and will bring to our assistance the full range of resources and expertise that this large and well performing council has at its disposal. In the meantime operational management of the council's safeguarding services have been strengthened in recent months by significant investment in additional qualified and experienced senior managers and front line social workers.
19. There is a separate data report for children's safeguarding at Appendix H which provides data presented to the Childrens Improvement Board in July.
20. The priority for '**Support for older and vulnerable residents**' (**A4**) continues to be rated as amber. Performance during the quarter has been generally good, with many performance indicators performing in line with, or better than, comparator authorities. The amber status stems in the main from the potential impact of the risk associated with this particular section of the Island's community. That is to say, it is unlikely that, given the way the council measures risk, with greater emphasis being placed on impact than on probability, then a rating of amber is probably the best that can be achieved. (The same applies to Childrens Safeguarding). This method will be reviewed in the proposed changes that will be made when performance for quarter 2 is reported. Priority report A4 provides more analysis of this priority.

BUDGET REVIEW

21. The budget review as at 30 June 2013 takes into account a number of issues that need to be considered together to inform the council's overall financial position for 2013/14. In particular they will include the outturn position for 2012/13 and progress with delivery of the budget during 2013/14.

SUMMARY POSITION OF 2012/13 OUTTURN

22. Details of the revenue outturn position for 2012/13 were reported to the Audit Committee on 27 June 2013. This indicated that in overall terms there had been a net saving of £3.417m after allowing carry over requests of £814k. This compares to the projected budget monitoring position reported during 2012/13 of a net saving of at least £2.900m. Full Council agreed to utilise those savings to meet costs of £2.4m arising from Schools Reorganisation (budget deficits from former schools and severance costs), £250k for the waste procurement contract and £100k to support the implementation of the post-Ofsted improvement plan for children's safeguarding. Another £200k has been allocated to ensuring the security and other costs for closed school sites, pending a decision on the

future use or disposal of the sites. Therefore as part of the closedown process £2.950m has been set aside to fund the costs approved by the council during 2012/13, leaving £0.467m to be added to the General Fund Balance at the year end, giving a total balance of £9.017m. The Revenue Outturn Summary Statement for 2011/12 is set out at Appendix B.

23. Strong financial management and control measures have been exercised throughout the year as part of the council's agreed strategy for dealing with the significant savings target it faces, arising from a combination of reducing government grants, increased costs and increased service needs. Action was successfully taken across the council to manage spend within available budgets, particularly through regular reports to the Budget Review Board, controls on staffing costs through the Authorisation Panel, and controls on contract costs through the Procurement Board. A net saving of £3.417m represents a positive outcome for the council when compared to the net revenue budget of £132.0m.
24. Appendix C shows the outturn position in terms of capital expenditure for 2012-13. The council began the year with an ambitious programme of capital investment projects which was subject to significant reprofiling during the year. This regular reprofiling of the capital programme is intended to allow for more accurate monitoring of progress in delivering approved capital projects once the projects have commenced. At the end of quarter 3 it was anticipated that total spend on the capital programme would be £52.2m at the year end, with a number of projects slipped into 2013/14. However, given the delays experienced with the Cowes OSP project and other Schools Reorganisation projects the forecast was revised to give a more realistic estimate of spend at the year-end between £49m and £50m. The final agreed profiled spend figure for 2012/13 was £48.8m.
25. By the time the accounts for 2012/13 were closed the council had achieved total capital spend in year of £45.9m, equivalent to 94% of the reprofiled budget. Whilst that figure is lower than the total capital spend figure of £50m in 2011/12, it compares favourably to performance in years prior to 2011/12 when annual capital investment of £25m to £30m was the norm. The spend figure for 2012/13 also represents an improvement in the proportion of the reprofiled capital programme delivered compared with previous years..
26. The year-end position for Reserves and Balances is outlined at Appendix D. There are a number of factors that have led to the change in the year end position from that assumed in the budget. A significant part of the change reflects the amounts to be carried forward from 2012/13 into 2013/14 which are transferred to a specific earmarked reserve (£5.949m in total). The General Fund Balance has also increased to £9.017m, and there are increases of £823k in the amount of balances held by schools.
27. Earmarked reserves include specific reserves the council is required to maintain, such as the Licensing Account and the Elections Account; reserves to support the implementation of specific projects such as the job evaluation project; and reserves which support the delivery of corporate priorities including waste project procurement, support for social care and strengthening families. Other significant amounts set aside to meet future costs include the redundancy reserve (£490k), a separate teachers redundancy reserve (£500k) where the costs fall to be met from the General Fund from April 2013, and a reserve to cover any transitional costs arising from the change to a localised council tax benefit scheme (£575k).

SUMMARY POSITION OF QUARTER 1 FINANCE

28. The budget strategy for 2013/14 approved by Full Council on 27 February 2013 identified total savings to be achieved of £7.000m. After allowing for the full year effect of savings implemented in 2012/13 the savings target to be delivered in 2013/14 is £8.800m. The

additional £1.800m to be delivered in 2013/14 is required to offset the loss of the Council Tax Freeze Grant in 2012/13 which was only paid for one year and needs to be replaced in the base funding for 2013/14. This excludes any further savings that may be needed in 2013/14 and future years arising from additional budget pressures and changes in the grant settlement from government.

29. At the end of quarter 1 £7.473m of the savings target has been achieved which is some £600k higher than the profiled savings target. This amount can be attributed to staffing control and management and the delivery of vacancy savings. In overall terms the forecast at the end of quarter 1 is that £8.355m of the full savings target will be delivered at the end of the financial year and work is ongoing to identify further sources of savings, although the likelihood is that continued management and control of staffing budgets will result in further vacancy savings being available to cover any gap.
30. In overall terms it is currently projected that the revenue budget will be overspent by some £2.750m at the year-end unless action is put in place to control costs and manage budget pressure areas. The most significant budget pressures are being experienced within social care, in particular within the budgets for community care and children's safeguarding. The net figure for community care budgets is currently forecast to be overspent by £600k. Following the results of the Ofsted inspection measures have had to be put in place to make improvement in children's safeguarding, including development of the strategic partnership with Hampshire County Council. This has resulted in additional costs in excess of £1.8m being invested in residential and secure placements for children and agency fostering arrangements. The net figure for children's safeguarding is that an overspend of £2.000m is forecast.
31. Other less significant budget pressures are being experienced in service budgets, including the potential shortfall of £445k in achieving the full savings target identified in paragraph 23. The most significant of these service pressures is a forecast shortfall of £305k in the parking income budget. Some of these budget pressures are currently being offset by savings in capital financing budgets, specifically £300k in the external interest budget and £500k in the minimum revenue provision budget. The service analysis for quarter 1 is outlined at Appendix E.
32. It should be noted that it is still early in the financial year to be making accurate projections of the financial position at the year end. In particular there are a range of issues and budget pressures that could arise during the year, for example further social care costs, pay awards, potential falls in income generation, home to school transport costs etc. The pattern of spend in quarter 1 currently indicates a potential overspend of £2.750m at the year end. However, the development of action plans to manage budget pressure areas, together with the continuation of strong budget management and financial control measures, allow a degree of confidence that any significant budget pressures will be offset by savings in other areas, and that any net overspend will be reduced during quarters 2 to 4.
33. The management of long term debt to support capital expenditure and treasury management arrangements remain focussed on avoiding taking new long term loans until necessary, repaying capital debt early where it leads to on-going revenue budget savings, and managing the council's cash balances at all times to reduce interest costs incurred. These measures have led to the forecast savings in external interest payments and minimum revenue provision set out in paragraph 25 and will continue to be applied for the remainder of the financial year.

34. The total re-profiled capital budget for 2013/14 is currently £33.245m, including projects slipped from 2012/13. Although some areas of spend are behind profile, others are progressing well and the overall programme is 12.5% behind profile at the end of quarter 1. This follows the successful delivery of the capital programme in 2011/12 and 2012/13 which were the highest levels of achievement in recent years. The quarter 1 position for the capital budget is set out in Appendix F.

35. The position for reserves and balances at the end of quarter 1 is set out in Appendix G.

RISK MANAGEMENT

36. The risks against the corporate priorities have been identified at either a strategic, project or service level with planned actions in place to manage the risks to an acceptable level. The planned actions cannot eliminate risk in its entirety however they will increase the probability of success whilst reducing both the probability of failure and the uncertainty of achieving the corporate priorities.

37. Effective risk management is a key business management function that operates across the authority with regular review of risk registers undertaken by directors, project and service leads.

38. The Audit Committee reviewed the process for managing strategic risks 27 June 2013. The committee reiterated that Cabinet was to have sight of all strategic risks as part of the quarterly performance reporting mechanism. These are now included in the background data report and are mainly concerned with council's internal operations and ability to deliver the overall corporate priorities. They included risks in respect of staffing skills and capacity, governance, commissioning of services to meet the Island's needs and our preparedness to responding to a major emergency.

39. When Directors last reviewed Strategic Risk it was agreed that three more risks should be added so that they now include ones which:

- reflect the separation of children's and adults safeguarding as issues which need to be managed separately and to reflect the proposal that children's safeguarding is managed through a strategic partnership with Hampshire CC
- recognise that early intervention in schools performance and their improvement needs to be considered as a strategic risk
- recognise that the proposed strategic partnership with Hampshire CC in itself presents a number of risks, which need to be managed strategically.

40. RECOMMENDATIONS

- i. To receive reports on the development and implementation of action plans to improve the outcomes for children and young people in education and safeguarding arrangements, and the over-arching effectiveness of the strategic partnership with Hampshire CC.
- ii. To continue the development of the council's priorities using 'Framework for Change' and the outcomes from the Root and Branch reviews as a basis, and to adapt the format of the report as appropriate with effect from Quarter Two.

APPENDICES ATTACHED

41. [Appendix A](#) – Corporate Plan priority reports for:

- Delivery of budget savings through changed service provision (A1)
- Raising educational standards (A2)
- Keeping children safe (A3)
- Supporting older and vulnerable residents (A4)
- Housing and homelessness (A5)
- Regeneration and the economy (A6)
- Waste strategy (A7)

[Appendix B](#) - Revenue Outturn Summary Statement 2012/13

[Appendix C](#) – Capital Outturn Summary Statement 2012/13

[Appendix D](#) – Reserves and Balances Summary 2012/13

[Appendix E](#) – Revenue Budget Analysis Quarter 1 2013/14

[Appendix F](#) – Capital Budget Analysis Quarter 1 2013/14

[Appendix G](#) – Reserves and Balances Quarter 1 2013/14

[Appendix H](#) – Children’s Improvement Board Performance Report – July 2013

BACKGROUND PAPERS

- [Quarter 1 2013/14 Data Report](#)
- [Corporate Plan 2011-13](#)
- [Medium Term Financial Strategy 2012-2015](#)

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